

### 3.11 Retrans Battles

Programmers and cable system operators have always had a symbiotic but tense relationship. Each needs the other, but negotiations between the two over the price paid by (cable) distributors to program content suppliers has bred interesting and sometimes even headline-inducing clashes. In the 1980s, the flash-point involved popular basic channels. Cable operators beat back a proposed price hike for MTV in 1984 by launching a short-lived competitor, the Cable Music Channel. TCI, the nation's leading cable company in the 1980s, used a similar ploy to dampen a planned rate increase by ESPN. While fights over cable programming services, especially the expensive ESPN family of channels, continued into the 2000s, the focus has largely shifted to payment for local broadcast signals.

Broadcasters and the broadcasting networks historically have sought compensation for cable's use of their over-the-air programming. The Copyright Act of 1976 required cable distributors to pay a royalty for the use of distant broadcast signals (but not for local signals), and this provided some broadcasters and program producers, for the first time, with a modest income stream from cable. It wasn't until the Cable Act of 1992, however, that broadcasters were given the legal power to *withhold their local signals* if cable didn't pay. The traditionally pugnacious cable operators refused direct compensation in the first round of negotiations following the '92 Act. Cable executives

effectively declared that if people wanted local TV signals, they could buy antennas.

Ultimately, the two sides settled on a model that gave broadcasters extra channel capacity, in lieu of cash, to start new services, a reward that eventually turned out to be nearly valueless in the digital era. As those retransmission consent contracts came up for their regular three-year renewals in the late-1990s and into the 2000s, however, broadcasters became increasingly bold in their demands for payment. In what may have been a watershed showdown in late 2004, a smaller broadcasting chain, Nexstar Broadcasting Group, pulled its stations off of cable systems in four markets. Nexstar wanted direct cash payment for its channels. The cable operators said no. The blackout lasted 10 months and cost Nexstar millions. Two of the larger cable operators involved in the dispute, Cox and Cable One, eventually settled, not for cash but for guaranteed advertising purchases on the Nexstar stations. Some smaller cable operators, according to Nexstar, did finally agree to pay a modest retransmission fee.

Perhaps emboldened by Nexstar's move, in 2006 CBS president and CEO Leslie Moonves predicted his network would begin hammering out carriage fee agreements with cable operators over the coming years. Hearing this threat, in 2007 Time Warner Cable and the parent of ABC's stations (Disney Corp.) negotiated a high-profile distributor/supplier settlement. It provided a compensation

Copyright Office based on the number of distant signal over-the-air television stations they carry. DBS providers pay approximately 30 cents per subscriber per month per station to carry distant signals. (But remember that not all DBS subscribers necessarily choose to receive the distant signals being carried).

The formula for cableops and telcos is very involved. The basic approach to this requires cableops to pay 1.064 percent of each system's gross receipts for the first distant signal carried. For the second, third, and fourth distant signal they pay 0.701 percent of gross receipts and for the fifth and beyond, they pay 0.330 percent of gross receipts. On annual basis, the U.S. Copyright Office collects

compulsory copyright fees in excess of \$100 million from DBS distributors and of more than \$200 million from cable companies. Payment of these fees allows cable systems and DBS to carry such superstations as WGN, KTLA, WPIX, WWOR and others.

These funds are returned, proportionately in theory, to copyright holders such as the holders of rights for sporting events, music, movies, domestic and foreign television programs and so on, though there is some debate about whether sports rights holders get enough or too much from the royalty pool. From the operator's perspective, they are an additional expense. Copyright holders would like to eliminate the compulsory license for carriage of

package that covered Disney's ABC-owned stations and its must-have cable channels (ESPN, ESPN 2 and the Disney Channel). The contract also guaranteed Time Warner's subsequent carriage of HD versions of the popular Disney properties. While details of such agreements are typically confidential, the package's terms were such that Time Warner could maintain it had not paid direct fees to carry the ABC stations.

That fiction eroded swiftly, however. Cable operators were, quietly, beginning to pay broadcasters for their local signals. In 2010, retransmission talks between Disney and Cablevision focused specifically on carriage fees for Disney's ABC stations. When discussions bogged down, Disney pulled WABC-TV off of Cablevision's New York area systems early on the day of ABC's scheduled coverage of the Academy Awards. It was a short-lived blackout, with carriage reinstated about 14 minutes into the awards show. Arbitration led to settlement, with trade press reports suggesting that Disney received between 25 and 50 cents per subscriber per month.

Later in 2010, Cablevision engaged News Corp. in a similar, but much more acrimonious, dispute. In October, the two companies came to loggerheads over carriage of a suite of channels that included the Fox Business channel, Nat Geo Wild, and the FOX broadcasting stations. Cablevision balked at the price asked by News Corp, and FOX pulled its signals from the Cablevision systems. The blackout

generated significant news media interest because it meant that Cablevision's New York area subscribers were deprived of FOX coverage of the start of the 2010 World Series. (Horrors!) The timing of the dispute was no coincidence, of course. The standoff lasted 14 days before millions of angry baseball fans forced a resolution just in time for Game 3 of the series. Terms, again, were not disclosed, but their nature could be divined from a Cablevision statement that declared, "Cablevision has agreed to pay Fox an unfair price for multiple channels of its programming including many in which our customers have little or no interest."

The price war between cable and the broadcast industry is likely to continue and perhaps escalate. In contrast to the 1980s, cable operators now feel like the underdogs in the battle and have asked the government to intervene. The FCC, in 2011–2012, was reviewing the rules. Meanwhile some cable operators took their cases directly to customers, informing them of the prices they now pay for off-air signals. Charter Communications and Suddenlink Communications reportedly include the new broadcast retransmission cost on subscribers' itemized bills. Charter lists the cost under "taxes and fees" as a "broadcast TV surcharge." (Of course, this is like the way cable operators tell subscribers how much of their bills get paid to their municipalities.)

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distant TV signals. However, so far, Congress has agreed with the MVPD industry that continuation of the compulsory licensing system is in the public interest.

**Audience Churn:** Another big problem is audience churn, or turnover. Subscribers who disconnect, even if they are replaced, cost the system in hookup time, administrative record changes, equipment loss and duplicated marketing effort. Annual churn rates are typically around 30 to 36 percent for basic cable and 50 to 80 percent for premium services and digital cable. For DBS providers, typical overall annual service churn is around 18 percent. The churn rate for

any local system or DBS service can be calculated for a year, or for any length of time, by dividing the number of annual disconnections by the average annual number of total subscribers; all systems keep careful track of their churn rates.

$$\frac{\text{Disconnects in a time period}}{\text{Average number of total subscribers in that period}} \times 100 = \% \text{ churn}$$

Not all cancellations can be prevented, of course, because people move, children grow up and leave home, and local economic recessions cause unemployment and cutbacks on services. College towns

normally have lots of cable cancellations at the end of spring semester and lots of new connections in the fall, but *minimizing avoidable audience churn is one of the primary responsibilities that a service's programming and marketing executives share.*

Turnover on premium channels occurs more frequently than with the basic service. Instituting hefty charges for disconnecting single channels has reduced the practice of substitution, in which subscribers casually drop one premium channel to try another. Nonetheless, several premium channels such as American Movie Classics, Galavisión and Disney were forced to move from premium to basic services, and the challenges faced by other premium services have led to mergers and even occasional combined marketing efforts by such direct competitors as HBO and Showtime.

Given the easy availability of movies online and the increased ability of copyright holders to market movies directly to consumers, premium cable services will need to continuously reinvent themselves to remain economically viable in the future. HBO Go, which allows existing HBO subscribers to access and watch HBO content on mobile video devices (smart phones and tablets), represents one such attempt at reinvention. Nonetheless, unfavorable economics may eventually end stand-alone pay channels. But powerful companies survive by morphing into new entities.

## Marketing Considerations

After technical, legal and economic considerations have been evaluated, the multichannel programmer still has to weigh several marketing factors in deciding whether to carry a particular network and how to position and promote it. *Cable and telco programmers seek to attract and hold both the local audience and the local advertiser; satellite programmers must seek both national advertisers and audiences.* To achieve these goals, both must *maximize new subscriptions* and *minimize disconnections.*

The nature of the local audience determines what has particular appeal. National research has

established that nowadays the multichannel audience differs not at all from the over-the-air-only audience or even the online audience, but in particular markets, subscribers to a system may differ dramatically from national norms. One cable system, for example, may have more middle-aged, upscale, urban subscribers with higher-than-average incomes and deep broadband penetration, while another may have many more large families of mixed-age members, and fewer broadband subscribers. The upscale households might want documentaries, sporting events and HD, while the large families might want G- and PG-rated movies and kids programs. Foreign-language channels are highly desired in major cities, but less so in most small towns outside the Southwest.

Program services have to be chosen so that every subscriber has several channels that are especially appealing (see 3.12). In a big change from the past, the method today is to bring hundreds of tiered digital and HD channels to homes at 10 or 12 different price levels, accompanied by premium movies and pricey sports packages at the very high end (and 3D where available).

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## Scheduling Strategies

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Up to this point, this chapter has been concerned with the technical, legal, economic and marketing factors that impact the *selection* strategies of cable and satellite programmers—in other words, how and why cable and satellite operators pick some services to carry rather than others. In addition, operators have scheduling, evaluation and promotional concerns.

Currently, cableops, satcos and telcos negotiate with a program supplier, such as a cable network or a television station, to carry its programs on a separate channel. For many years, much negotiation involved which channel number a station would get, but the 1992 Cable Act required that over-the-air stations have numbers corresponding to their over-the-air channel numbers (called *channel matching*) or be placed on a mutually agreed-upon channel. The law never applied to DBS and never applied

### 3.12 The Phenomenon of Lift

Some services of particular appeal are considered to have lift in that they will attract subscriptions to higher tiers or premium services. *The major sports channels create lift on virtually all MVPD systems, and HD regional sports channels draw fans to an even higher tier.* Game channels have this impact for households with children aged 10 to 15 years. Lift generally diminishes as systems add more and more services, however, which has led to discounting and bundling of services that mix high and lesser appeal channels in uppertier packages. Cultural channels are often marketed more for their balancing effect than for any lift they create, and similarly, public-affairs channels, classified advertising listings, and community access services are carried because they create a positive image for the

MVPD even though they very rarely generate any increase in subscribers.

With the goal of gaining lift, one year HBO intensely promoted its hit series *The Sopranos* but found that its expensive marketing effort only temporarily doubled its subscribers, and that after a month, most new subs had canceled the service. A further strategy, adopted by the entire industry, has been to locate adult programming only on premium or pay-per-view tiers, which makes good economic and political sense because people who are willing to pay extra for adult fare can get it, while households that don't want adult programming to be visible need not be aware of it. Having adult fare, however, definitely provides lift.

to cable networks because they have no legally assigned numbers.

Moreover, the law never envisioned HD's rapid proliferation, so some strange temporary placements of stations occurred, but because it's sensible (and to avoid court cases or new Congressional action), over-the-air stations are getting channel matched as HD expands. For example, Comcast used 1000s as HD channel numbers, so the local broadcast Channel 6 (an ABC affiliate) on Channel 6 in basic service (which happened to be placed on 908 for a few years) now appears on 1006. Similarly, Channel 8 (a CBS affiliate) appears as 8 at the basic level (inexplicably at 912 in early HD) is now 1008 in HD. It seems likely that the 900 numbers will fade away as HD becomes widespread.

Cable systems continue to experiment with *content clustering schemes*—placing cable networks on virtual tiers according to their content or appeals (see 3.13). For example, channels can be grouped according to whether they are (1) all narrowly alike in content—such as sports channels, movie channels, or audio channels; (2) all alike in their appeal to a particular target demographic group—such as for children or Spanish-speaking viewers; or (3) typed broadly by content as in all entertainment or all news. For a time, most MVPDs tossed uniformity

and moved to mixed entertainment and information tiers with something for most people and situations in each of several gradually expanding tiers (for higher and higher prices), until a subscriber got everything.

However, as part of the shift to higher and higher channel capacities (the great increase in the number of channels), Comcast has introduced a logical numbering structure in many of its systems, within its mixed tiers, that varies between content grouping and appeal groups. For example, broadcast stations hold the 1000s; news and weather channels appear in the 1100s; channels aimed at women are numbered in the 1300s; those for children in the 1500s; sports in the 1600s; movies in the 1800s; and the 1200s are “all others,” meaning entertainment. This system means that adjacent channels will have similar content appeals, probably because children, news, and sports viewers tend to persist as users of the up/down arrows on remotes.

Interestingly, 3D channels are merely assigned content-related numbers like other HD, although premium HD movies (1900s), pay-per-view (1700s), non-HD sports packages (500s) continue to stand apart and can usually be added separately if a subscriber wants them. Clearly, Comcast shares the view that all subscribers will eventually become HD subs.

U-verse consists of about 100 channels, all HD, and they are grouped much like Comcast's, into all children's, all news and information, all premium (movies), all sports, and the catchall of "variety." Other cablecos, satcos and telcos utilize similar schemes to assign networks to their systems.

Wired and wireless systems have long employed three kinds of virtual lineups in their interactive electronic guides: Listings by day and time, the alphabetic listing of service names, and thematic clustering. Time listing is useful for finding what's on now or soon; alphabetic listing makes the search for a particular channel or program quick; clustering suits channel-by-channel selection within the grouping. None especially suits grazing. There are just too many channels.

One strategy that facilitates jumping is incorporation of social media into the program selection process. For example, a brief on-screen message might say "Others who selected this program also watched..." Alternatively, the names of the channels or programs that "friends" are watching might be

highlighted (via interconnection with Facebook, Twitter, and the like).

At some point in the all-high-definition future, operators are expected to transition totally to menu- or topic-driven systems. Menu systems make channel numbers (and therefore lineup concepts) nearly irrelevant. Just as all channels coming through a VCR used to be converted to Channel 3 on the TV set, so in the future digital television sets might have only a single "channel" and receive all input from a converter (built into television sets), leading to the disappearance of the very idea of *channels*. Nonetheless, it is hard to conceive of a time when all set owners will want to subscribe to all services for all sets. For the purposes of pricing, some subdivisions will be needed.

Eventually, viewers are expected to have individual web search agents capable of "knowing" our individual likes and dislikes. The size and distribution of channel arrays then become irrelevant because search agents can jump around at lightning speed. Clustering would remain only as an aspect of

### 3.13 Uniform Lineups

Even within a single Nielsen DMA (see Chapter 5), having the most popular advertising-supported services on the same channel numbers on all cable systems makes selling advertising easier. Standardization within a market is called a **common channel lineup** to distinguish it from the ideal of consistent positions for services from market to market across the country (called a **universal channel lineup**). Nationwide standardization of channel positions has the particular advantage of making national on-air promotion more effective.

The goal of any kind of uniform channel lineup—local or national even for the dozen most popular services—is a long way from realization. The Los Angeles DMA was the first major market in which several cable operators agreed on a common channel array (in analog), and in the late 1980s newly constructed systems (new-builds) in Philadelphia and New York adopted uniform analog channel configurations. Those patterns seem to be surviving into the digital and then HD eras. The pattern adopted in Los

Angeles, however, did not match the one adopted in New York.

Moreover, technical considerations limit the realization of such plans in many markets that have long-established systems. MVPDs are in varying stages of technical expansion into *virtual channels* (assigned numbers for users that have nothing to do with actual distribution frequencies). And users differ on their needs. Those who utilize "appointment viewing" and want to go straight to a particular show are unlikely to care about logical channel arrangements, and people who use onscreen guides find channel numbers irrelevant—although standardization among menus and search systems is another as yet unrealized goal. Annoyingly, how it all works differs from house to house and differs from hotel to hotel. But for those like children who use the remote's arrows, content adjacency is ideal. Uniformity makes sense for some viewers but is especially useful for effective promotion by networks and stations and, even more important, for lowering the cost of advertising.

guide listings, providing a way to scan options onscreen, should a viewer actually care to look with his or her own eyes.

## Evaluation Strategies

Multichannel services have two evaluation concerns: evaluation of audience size and measurement of program popularity. These result in very different practices, and some are unique to cable because wireless and satellite systems do not carry local advertising.

### Audience Size

Evaluation of MVPD audiences has been a long-time problem. *The overriding difficulty is that the audience shares for cable network channels cannot be exactly compared with over-the-air audience shares.* Although nowadays multichannel distributors collectively reach about 90 percent of the homes reached by broadcast television, each individual channel attracts only a portion of the people watching via cable, wireless, telephone or DBS (and not all cable networks appear on all or even most services).

Usually, cable network ratings range from 1 to 4 percent of total TV households in prime time rather than the 7 to 8 percent that the top local broadcast affiliate achieves. Looked at nationally, a top network TV show, such as *American Idol* or an *NCIS* season premiere might get a rating of 12 or 13, while a top hit on cable rates in the 4s and 5s (although NFL games often reach 8s and 9s on cable). During the height of interest in huge news events like the Egyptian and Libyan uprisings and Japan's earthquake and tsunami in 2011, CNN's and Fox News's ratings reached very high levels (such as 12s and 14s). Sporadic season-opening or ending episodes of cable dramas (such as *The Closer*) rise into the teens. The only cable networks to do consistently better is ESPN, and it fails to reach the level of top local affiliates most of the time.

However, without disasters or extraordinary events, these and other popular cable networks usually attract fewer than 2 percent of viewers individually. Nonetheless, the collective cable ratings in a

market (for all the dozens of networks) often exceed those for the highest-rated station.

Advertisers had little interest in the small numbers of per-channel viewers (which are even smaller when the DBS and telco audiences are removed) until the cable industry came up with four strategies for increasing the number of people reached simultaneously and for making them more salable to national or regional advertisers.

The first strategy has to do with geographic coverage in portions of a state. Because the geographic area covered by an individual cable franchise is far smaller than the coverage areas of a single broadcast station, the cable industry now links franchises over a wide area (like the center of a state) by microwave or cable to create large interconnects. *Advertising interconnects* are arrangements for the simultaneous showing of commercials on selected channels. Of course, each operator must purchase expensive insertion equipment for each channel that will have local advertising added. (The ads usually cover up promotional spots sent by the networks, and how many and which ones can be covered by local spots are specified in cable network contracts with local cable operators.) Interconnects generally occur in or near large markets, however, leaving thousands of cable systems with unsalable (too small and undefined) audiences. Moreover, satellite services cannot be part of local interconnects. Their subscribers add to the national ratings but not to audiences for local or regional advertising.

A related strategy is *zoning*, which refers to subdividing an interconnect into tiny geographic areas to deliver geographically targeted advertising, which permits even small local businesses to purchase low-cost ads that reach only their neighborhoods. A dry cleaner, for example, hardly wants to pay to reach the other side of town where the competition operates—but might find two or three zones on its side of town ideal for reaching potential customers.

A third strategy is *roadblocking*—scheduling the same ad on all cable channels at the same time so that the advertiser's message blankets the time period. This can be done nationally by buying the same minutes of time on all major cable networks, or handled locally in one market by inserting the

same ad simultaneously on all channels in an interconnect. Then, no matter where a remote user looks on the lineup, the same commercial spot seems to be playing. (Some big advertisers buy all the broadcast networks also, thus airing a single ad virtually everywhere on television in the whole country at the same time.)

A fourth strategy has been to develop criteria other than ratings for wooing advertisers. Sales executives for the cable networks generally emphasize the *homogeneity of viewers* of a particular channel, meaning their demographic (age, gender) and psychographic (lifestyle, income) similarities. Viewers of MTV, for example, are alike in age and interests; weekday viewers of Lifetime are mostly women; viewers of the HGTV share a common interest in homes, furniture and gardens. The clustering of similar channels on digital services also makes it possible for an advertiser to roadblock a group of channels with homogeneous viewers.

## Repetition and Ratings

On the programming side, *program repetition* is another strategy used to increase audience size. Sales executives for cable television report how many people saw a program *in all its airings*, rather than how many saw it on, say, Tuesday night at 9 P.M., the usual way that broadcast ratings used to be calculated (though they are wising up as their shows are viewed on laptops and tablets). *For cable, the size of the cumulative audience is often more salable than the audience for a single time period.* Reporting *cumulative audience size* makes programs seem more popular and more visible, thus better environments for advertising messages.

## Promotion Strategies

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Effective promotion of MVPD systems took a backseat to technical problems for several decades. Once America was close to fully wired, cable systems began to pay more attention to marketing their services. Cableops used such traditional advertising tools as flyers on doorknobs and ads in local

newspapers to attract new subscribers. However, because money was tight as a result of huge capital expenditures and because cableops faced no multi-channel competition, most cable companies' marketing efforts were minimal at best for more than a decade. After the turn of the century, increased competition from satcos and telcos, coupled with the profits to be made from upgrades to internet and voice services, drove an explosion in competitive promotion.

Early on, competition from satellite services raised the bar for cable, and then telcos joined the battle for subscribers. To capture them from conventional cable, DBS and telco services designed clever marketing tools that carefully targeted specific groups of potential subscribers. No longer was one ad good enough to reach everybody. As thousands of its subscribers left cable for satellite service and later for telco service, the cable industry woke up and began spending the money to make more effective advertising tools. Mailers and TV and online ads touting the advantages of signing up for FiOS or U-verse or xfinity can't be avoided these days.

Another way to bolster (or retain) subscriptions is to promote exceptional program content and unusual program channels. When MVPD programmers are deciding which networks to carry, they consider how much promotional support a particular content network provides. On-air promotion as well as print advertising and merchandising has three advantages: It's valuable for boosting ratings for new programs, reducing subscriber churn, and creating positive images in the minds of subscribers and advertisers. National networks can supply professional-quality consumer marketing and sales materials, including on-air spots, information kits, direct mailers, bill stuffers, program guides and other materials that local systems lack the resources to create. In other words, some fees paid to national cable program suppliers are, in effect, returned in the form of advertising avails, co-op advertising funds and prepaid ads in publications such as *People* magazine that attract audiences to cable network programming (and thus to upgrade to more tiers of service).

Nowadays, cable, telco and DBS operators make use of both online promotion and on-air video insertions to get their messages across. Major content suppliers also maintain elaborate websites about key programs, another factor in subscriber retention. While use of print advertising in magazines and newspapers has declined, cable operators employ interconnects to run self-promotion on a variety of channels. They use spots that might otherwise have been sold, foregoing that revenue, to tout what the subscriber misses by not having HD service, what's available on VOD and premium HD channels, and how much more X service offers than Y or Z.

In the long run, having large numbers of subscribers who subscribe to high levels of service can be expected to bring in more revenue than the cost of the promotional spots and print ads to lure them to upgrade. Even more important is that such promotional spending has become critical to maintaining market share in the increasingly competitive multichannel video marketplace.

## Local Origination on Cable

At the local level, cable programming means several very different things, with no equivalent on the part of satcos and telcos. On one hand, local cable refers to the programming activities of the 7,400 or so managers of cable systems or their MSOs. They may produce their own local/regional channels of information or entertainment, such as an all-day newscast or a high-school sports channel. On the other hand, broadcasters also make use of some cable-only channels to replay or multiplex additional channels of programming. Finally, local cable also refers to the programming activities of several thousand not-for-profit community access groups or centers. Theirs is the most local of all cable programming and has flourished in some cities for nearly four decades, although the internet is rapidly altering this kind of local cable programming.

Local cable channels consist primarily of entertainment mixed with infomercials, classified advertising channels, sports, and news and community

affairs. When produced and controlled by the cable operator or a contractor, such channels are called local-origination (LO) channels, although the news channels tend to cover such wide areas that they are often referred to as regional cable. When produced and controlled by a local not-for-profit group, such channels are called community access. Local and regional cable-only channels have the long-term benefit of differentiating cable from competing wireless and DBS services and, in some cases, the short-term benefit of generating advertising revenue.

## Entertainment Channels

Channels with original entertainment content produced (or purchased) by cable operators themselves are universally commercial and intended to supplement a system's profits. The programming is selected, scheduled and evaluated for its suitability for carrying advertising messages. Religious broadcasters (really, cablecasters) operate about one-third of local cable channels, and they typically mix syndicated programs with local and nationally distributed religious programming, including gospel music, discussions of gospels, sermons and religiously oriented talk, some of which are merely slightly disguised sales messages. In addition, a few foreign-language cable channels have a full spectrum of news, entertainment and talk in one non-English language. Many of these channels have dropped their over-the-air channels in favor of becoming digital-only splinter networks with national distribution.

The remaining local-origination channels around the country tend to operate as regional news channels or are programmed like independent television stations. When entertainment oriented, they can carry nationally syndicated series or movies—very old ones because the programs are licensed cheaply as a result of the relatively small cable audiences (compared with the audiences of broadcast stations or even cable networks). Such programs may be chosen and scheduled locally but, like syndicated programs on broadcast stations, are not very local. Toledo, Ohio, for example, has a popular LO channel called Toledo 5 or WTO5



### 3.14 Toledo's Local-Origination Channel

Because Toledo has only five local broadcast stations, TV5 was able to become the WB affiliate (now CW) for Toledo and to license a great deal of "good" unsold syndication. Now called Toledo 5 or WTO5, this local-origination channel carries off-network reruns, such as *Two and a Half Men*, *The New Adventures of Old Christine*, *Family Guy*, *The Cosby Show*, and *Friends* and first run syndicated programs such as *The Wendy Williams Show*, *The Tyra Show*, *Tyler Perry's Meet the Browns* and *George Lopez*.

Because the local newspaper (*The Toledo Blade*) owns the local cable company (Buckeye Cablevision) that owns Toledo 5/WTO5, the channel receives the enormous

benefit of a listing at the top of the newspaper's grid, right under the local broadcast stations, instead of burial in the Ws where *TV Guide* places it (and similar channels).

The "station" has its own website ([www.wt05toledo.com](http://www.wt05toledo.com)) and operates with a great deal more funding than the usual local-origination channel. The combination of having a national affiliation, only a few local broadcast stations in the market, supportive ownership by the local newspaper and carriage on Buckeye, Time Warner Cable and Comcast cable systems in Northwest Ohio and Southeast Michigan places Toledo 5/WTO5 in the forefront of successful local-origination channels that compete directly with broadcast stations.

that is remarkable for its off network and first run syndicated series (see 3.14).

On other LO channels, high school and minor league sports are especially effective for attracting audiences of considerable appeal to local advertisers. Local talk programs also provide an ideal environment for both local and national infomercials. Major national companies such as Sears, Verizon, Ford, General Motors and Procter & Gamble supply the bulk of direct-sell infomercials to cable systems, and these are supplemented by shorter infomercials from nearby car dealers restaurants, pharmacies, home builders and the like. Hyperlocal infomercials may be produced in the cable system's facilities (for a fee).

Classified advertising channels, often produced by local newspapers, have been another somewhat successful area for local cable, especially when operated in conjunction with a daily paper. Digital insertion equipment permits the quick updating of listings and the use of photographs (and some video), making local real estate, car, and other classified ads as well as Yellow Pages viable as auxiliary revenue streams for cable. Because the internet provides much the same opportunity for reaching out to viewers, however, religious broadcasters, retail companies and newspapers are generally operating websites with the same content they put on local

cable channels and are increasingly favoring the web over cable.

### Local-Origination News Programming

News is a powerful environment for advertising messages and thus popular with many commercial entities that want to reach news consumers and make money. Having hyperlocal services helps systems attract and retain subscribers and keeps them in the good graces of local franchising authorities that grant them their licenses.

One strategy has been to replay broadcast newscasts on cable channels. Pittsburgh Cable News Channel (PCNC), for example, began in 1994 as a retransmission consent channel. (Federal law requires local television stations to give permission to cable systems for carriage of their signals and allows them to negotiate a fee or other compensation from cable operators in exchange for rebroadcasting their signal.) Many stations exacted cable channels of their own in lieu of monetary payment.

Most of these are solely rebroadcast channels, but a joint effort of WPXI-TV (Channel 11) and cable operator Tele-Communications, Inc. (now Comcast) created the Pittsburgh Cable News Channel that now carries live WPXI newscasts at 7 A.M. and 7 P.M. and multiple repeats of WPXI's latest newscast

along with local talk and information shows (*www.wpxi.com/pcnc*). The pricing of ads on PCNC is comparable to that of local ad inserts on CNN and Headline News, and cable systems carrying the channel receive two minutes of ad time per hour. All other advertising revenue is split between WPXI and Comcast.

Modeled on CNN and its repeating counterpart, Headline News, a number of cable-only local and regional cable news channels (see 3.15) have been formed, some of which attract considerable industry attention. Although they require significant capital investments (in some cases, many millions of dollars) in equipment, crew, reporters and studios to get going and have high daily operating costs, their revenue potential is usually much greater than for entertainment channels because they attract more regular viewing. What the services share is their focus on smaller geographic areas from the “region” down to the neighborhood. Traffic reports are often street by street, weather reports describe in detail what is important in small geographic areas, and “news” moves down to the level of parades, store openings, and official city activities. This kind of information also transfers very effectively to online services integrally connected with these cable channels.

Local and regional cable-only news services differ from ratings-driven broadcast stations. The latter normally divide their newscasts into half-hour segments, devoting airtime to sensational crimes, fires and accidents, and also include nonlocal stories if they are likely to hold audience interest. On broadcast stations, local events get only a few minutes at most, and events likely to be of interest to only a few viewers are scrapped.

In contrast, hyperlocal cable-only news channels that operate live for several hours daily—increasingly 24 hours as they become established and profitable—can focus on neighborhood events on the scene and at length if they might be of interest to a few viewers. Most model themselves on CNN rather than the broadcast network newscasts and carry hours of live programming, although New York 1 News has been very successful using a half-hour news wheel (see 3.15). With the luxury of more time to dwell on events, regional and local networks

can spend hours on breaking events and enough time on stories about health, sports and entertainment events to avoid the taint of sensationalism.

Cable news producers’ success with audiences and owners comes from an intense focus on local interests and, especially in times of stress, lots of ongoing weather and traffic reports. The details emphasizing the problems important to neighborhood residents and businesses appeal to viewers and advertisers, and the very low cost of such reportage appeals to cable operators.

In line with keeping expenses minimal, these regional/local channels take advantage of the newest robotic cameras and other automation, which may result in some odd pictures at times but reduces (compared with broadcast newsrooms) the technical staff necessary for them to function. The reporters tend to be young and inexperienced, are often interns or employees working for nonunion salaries, and carry their own handheld video cameras with portable video recorders, eliminating still other staff costs. By using portable tripods, reporters can even tape themselves at the scene of events and in interviews. As one reporter for New York 1 News put it, “I do a story every day. I dream it up. I set it up. I produce it. I report it, and I even edit it. I get to do everything.”<sup>2</sup> The backpack video journalist who functions as correspondent, reporter, camera operator and producer has become the model for inexpensive news gathering.

Although financial support must initially come from a parent corporation with deep pockets and patience, major national advertisers have become increasingly interested in cable-only news and its online counterparts. Local and regional cable news channels can attract advertising from businesses too small to be able to pay broadcast station rates. Rates on New England Cable News are about \$500 for a 30-second spot, compared with the \$3,000 or so on a Boston network affiliate. Although such cable channels typically average less than a 1 rating for 24 hours, local disasters drive up ratings dramatically. For example, New York 1 News had ratings of about 6 for its live coverage of a winter snowstorm.

Local and regional cable news channels also have highly interactive internet sites to further enhance their viewers’/users’ ability to selectively choose

### 3.15 Regional Cable News Services

The first and best known of the regional all-news ventures on cable continues to be **News 12 Networks**, which includes seven regional cable news channels in the New York area. Launched in 1986 by Cablevision as News 12 Long Island, News 12 Networks is a division of Rainbow Media, the programming arm of Cablevision Systems Corp. News 12 Networks offers 24-hour local news service in Long Island, Connecticut, New Jersey, Westchester, the Bronx, Hudson Valley, and Brooklyn (see [www.news12.com](http://www.news12.com)). News 12 Networks reach 3.8 million cable households in the New York tristate area.

Each service supplies news about the local region to residents, beginning each morning with a radio-style mix of news, weather and hyperlocal traffic reports (for example, live from key points on the Long Island Expressway on News 12 Long Island). Then the service continues at a slower pace throughout the day with reports on local community events, live interviews, local news updates, and reprises of national and international news. Stories include everything from school parades to unsolved murders to reports on issues like garbage dumping and pollution. With a staff of 150, facilities rivaling those of nearby broadcast stations, and an annual budget of more than \$10 million, News 12 Long Island, the flagship service, attracts enough advertising revenue to make a profit. Interestingly, its highest viewing comes in prime time.

Time Warner Cable established **New York 1 News** (NY1) in 1992 as a 24-hour news channel. NY1 and its 50 full-time news reporters and anchors serve New York City's five boroughs from an all-digital (and almost tapeless) facility. NY1 also provides NY1 Noticias, a 24-hour Spanish-language news channel launched in 2003, NY1 Rail and Road, a 24-hour cable news channel focused on the vehicular traffic and mass transit conditions in New York's five boroughs and a corresponding website, [www.ny1.com](http://www.ny1.com), to complete its thorough approach to news coverage. NY1's

use of comprehensively trained journalists—who report, videotape, and edit their own stories—and broadcasts that are structured in half-hour programming wheels has become a global model for inexpensive news coverage. In addition to advertising, it attracts revenue by charging for consulting about low-budget news.

**Northwest Cable News** (NWCN), now owned by Belo Corporation, came on the scene in 1995 when KING Broadcasting (that is, KING-TV in Seattle, KREM-TV in Spokane, KGW-TV in Portland, and KTVB-TV in Boise) used its retransmission consent leverage to gain shelf space on cable systems in Washington, Oregon and Idaho to establish a 24-hour regional cable news channel. NWCN provides news programming, which is targeted to the geographic area it covers. As a result, NWCN achieves higher ratings than CNN Headline News, and it is available to a approximately 2.9 million viewers (see [www.nwcn.com](http://www.nwcn.com)).

The **Texas Cable News** (TXCN) was established in 1999 as Belo's fourth regional cable news effort. Although some regional news channels choose to cover a metro area or even a limited part of a metro area, TXCN followed the design of NWCN by opting for coverage of vast regions (that is, the entire state of Texas) that include multiple metro markets. In 2000, Texas Cable News established [TXCN.com](http://TXCN.com) as its online presence. TXCN has a staff of 30 (reduced from 75 in 2005) devoted to administration, operations and sales. It has no reporters of its own. Its newscasts depend entirely on contributions from its television and newspaper partners, *The Dallas Morning News* (owned by A.H. Belo Corp) and WFAA-TV8 in Dallas, KHOU-TV in Houston, KENS-TV in San Antonio, KVUE-TV in Austin, and the company's Washington, DC, news bureau (all owned by Belo Corp). TXCN is available to cable subscribers on 13 Texas cable systems, 10 of which are owned by Time Warner Cable (see [www.txcn.com](http://www.txcn.com)).

among news stories and to have news on demand. As a result, the same news information appears simultaneously on a cable channel and online. This serves to broaden the audience and is a key factor in

establishing a successful media convergence strategy for local and regional cable news channels. In the long term, regional/local cable distribution may take over the role that local broadcast stations have

In Washington, DC, **NewsChannel 8** (NC8), owned by Allbritton Communications, was founded in 1991. NC8 is a 24-hour news channel available to approximately 1.1 million Washington, DC, metro-area cable subscribers. It uses a fiber-optic delivery system to deliver targeted local news (on a nightly basis with separate anchors and producers) and advertising (on a 24-hour basis) to suburban Maryland, Northern Virginia and the District of Columbia. NC8 operates three local news bureaus from which it originates live coverage (see [www.tbd.com/tv](http://www.tbd.com/tv)).

The **Comcast Network** (formerly CN8) employs more than 400 people, and is a 24-hour regional cable news, talk, sports, and entertainment network owned and operated by Comcast. The Comcast Network was launched as CN8 launched in 1996 and is available to millions of cable homes in its Mid-Atlantic service area (Pennsylvania, New Jersey, Washington, DC, Maryland, Virginia and Delaware). Its programming is primarily locally produced regional news, entertainment and sports (high school, college and professional), with 90 hours per week of original programming including some live, interactive and on demand programming (see [www.csnphilly.com/pages/comcastnetwork](http://www.csnphilly.com/pages/comcastnetwork) and [www.csnwashington.com/pages/comcastnetworkshow](http://www.csnwashington.com/pages/comcastnetworkshow)).

NBCUniversal owns **New England Cable News** (NECN) is a 24-hour regional cable news network, which was launched in 1992 by Hearst and Comcast. NECN provides news, weather, entertainment, and sports to 3.7 million homes in a large number of New England communities. It has won many awards, including a George Foster Peabody Award, an Alfred I. duPont/Columbia University Broadcast Journalism Award, and a National Edward R. Murrow Award. In addition to its standard programming, NECN also regularly produces documentaries focused on issues of importance to New Englanders (see [www.necn.com](http://www.necn.com)).

Begun in 1993, Tribune Company owned **Chicago-Land Television** (CLTV) is a 24-hour regional cable news

channel that serves 1.8 million Chicago area cable households. CLTV shares content and staff with WGN-TV and the *Chicago Tribune*. Both the newspaper and CLTV are specifically oriented toward the suburban Chicago audience. One goal of the cable channel is to promote the value and expertise of the newspaper reporters, which should, in turn, improve newspaper circulation (see [www.cltv.com](http://www.cltv.com)).

**Central Florida News 13** (CFN 13) is Orlando's only 24-hour local news channel serving the central Florida region. Started in 1997 and originally owned by Orlando Sentinel Communications (that is, the Tribune Company) and Time Warner Communications, Bright House Networks (formerly called Advance/Newhouse Communications) now owns CFN 13. CFN 13 is affiliated with CNN and provides local and regional news, weather, traffic, and sports programming (see [www.cfn13.com](http://www.cfn13.com)).

The Dispatch Broadcast Group (which includes WBNS-TV, WBNS-AM/FM, and *The Columbus Dispatch* in Columbus, Ohio) launched **Ohio News Network** (ONN) in 1996, becoming the first state-wide 24-hour cable news channel in the country. ONN can be seen in more than 1.8 million Ohio cable households in such cities as Cleveland, Columbus, Cincinnati, Dayton and Toledo. ONN specializes in providing highly localized news, weather, and sports along with a regionalized approach to state-wide news coverage. It utilizes partnerships with a number of over-the-air television stations (including WBNS in Columbus, Youngstown, WEWS in Cleveland, WHIO in Dayton, WKRC in Cincinnati, WTOL in Toledo, etc. to rebroadcast local news programs and to share ONN stories with these stations (see [www.onntv.com](http://www.onntv.com)). For further information on local and regional cable news channels, visit [www.newschannels.org](http://www.newschannels.org), the website of the Association of Regional News Channels, and [http://en.wikipedia.org/wiki/Category:24-hour\\_television\\_news\\_channels\\_in\\_the\\_United\\_States](http://en.wikipedia.org/wiki/Category:24-hour_television_news_channels_in_the_United_States).

traditionally played because cable does not use scarce airwaves (although the broadcasters are likely to step in as owners and producers of content). Wired cable distribution, in turn, may soon be supplanted by wireless web services, which may be at least partially

responsible for the demise of some of the regional/local cable news channels that have shut down over the past decade. For example, Orange County News-channel ended in 2002; the Florida News Channel failed in 2003; News 24 Houston died in 2004, as

well as News 9 San Antonio in 2004; Southern Arizona News Network ended in 2010; and Local News on Cable or LNC5 died in 2010.

## Community Access on Cable

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In dramatic contrast to commercial cable, the access channels operated by community groups are non-commercial and driven by educational, artistic and public service goals. They tend to operate on the neighborhood and city level, rarely reaching outside county boundaries. Federal law permits local and state franchising authorities to require cable systems to provide channel space and sometimes financial support for community access services.

Although by law these services divide into three kinds—public, educational and government (PEG) channels—in practice, they usually operate out of *community access centers*. Such centers are noncommercial and local not just in practice but also in active philosophy, and they provide alternative programming that would never be viable on for-profit stations or local-origination cable channels. The mainstays of access content have been community-produced videos, video art, municipal meetings and hearings, and educational productions. Like commercial companies, they are finding the internet increasingly effective for reaching their audiences, and they face the same problem of having to fund the shift from analog to digital including HD.

Traditionally, *access* has meant two things to local-access centers: (1) access by community members to the means of television production through training classes, arrangements for loans of TV cameras, and the sharing of editing equipment; and (2) access by community members to an audience through the cablecasting of locally produced programs. The underlying principles guiding the staffs of access centers are the ideas of free speech for everyone, the egalitarian use of the media, the fostering and sharing of artistic expression, the accessibility of all people to affordable education and instruction, and open and participatory government decision making.

The internet is proving an even more effective vehicle for achieving these goals than cable, however,

and, with the drop in price and increased sophistication of video equipment, fewer members of the public are seeking the video training that access centers can provide, and their training equipment has largely become obsolete. Thus, the centers focus increasingly on digitizing their facilities to aid in the convergence of video and computer input and output.

A few access programs have moved up to wider distribution, and the flamboyant Bobby Flay, host of several shows on The Food Network, got his start on access television. The best of public access television get Philo Awards (the name comes from television inventor Philo T. Farnsworth), and the worst are played at the Found Footage Festival for comic effect. In the early 1990s, the hilarious “Wayne’s World” spoofs about access television as part of *Saturday Night Live* helped raise awareness of public access television on the national level, for better or worse!

## Changing Usage

The more than 1,000 access centers in America come in a bewildering variety of organizational setups, and many are finding common bonds with farseeing public libraries. As the repositories of printed books and periodicals move into DVDs, CDs and computer storage of ideas, their noncommercial, anticensorship, free-speech and open-access goals come to merge into those of community access television centers.

Many access centers, including one of the oldest in America—Bloomington’s Community Access Television Service (CATS)—have located themselves within a community public library and receive financial support from the city, county, library (a taxing authority in Indiana) and cable operator. This particular center operates five PEG channels: a city government channel, a county government one (mostly meetings and some interviews); an educational channel called The Library Channel; a traditional public access channel where community members supply the content; and a SCOLA channel (news from other countries in their native languages).

In many other communities, once-separate local arts centers and local television centers have come together to become community media centers and

are evolving into community communications centers. They can involve institutional networks, local libraries, health centers and schools, connecting them to each other, to community agencies, and to the internet, all of which have become central to their future survival. It is not the particular technology (television, books or computers) that ultimately matters but serving the mission in the community—the mission of public access to the means of communication.

Many of the community members who were once clamoring to gain local-access time to televise their home videos or local performances, however, can now exhibit continuously on personal websites, bypassing one of the motivators for public cable access. One striking aspect of the internet has been the rapid shift of art video and low-budget movies from cable access to the web. Video artists now fill multiple websites with original film shorts, and the internet provides places for the videos of birthday parties and church fairs as well as the more serious animation and dramatic films that once characterized local public access cable.

Educators, another group that formerly sought large numbers of cable access channels, have also turned increasingly to websites to provide interaction with students and parents. Homework instructions can go online; email allows personal messages from teachers to students or parents; and the cost of such sites is far less than for effective cable production. Religious groups that also clamored for more time on local-access channels now, on the internet, have more freedom to program as they wish. Nonetheless, church groups that wish to reach older, downscale constituents who tend to avoid computers still seek a significant portion of time on access television, creating problems for some managers as they see other kinds of traditional access fare fading in quantity.

In many well-wired communities, local governments are also finding websites effective for some of the kinds of information they produce. Long lists of community events, community service agencies and government office phone numbers suit menu-driven websites better than television channels. Users can access the websites at their convenience and select only the material of particular interest, unlike cable

channels that unfold programs over time. Live carriage of public meetings of municipal government, local school districts, environmental protection committees, councils, planning approval commissions, and live carriage of other ad hoc meetings on community issues continue to be carried on cable system local-access channels. However, the increased penetration and quality of high speed internet service has greatly increased the amount of online video streaming of public meetings of all types.

### Nonlocal Programming

Although it was once thought that all access channels would carry only locally produced programs, some regional and national sources are now available to supplement what can be made locally. In addition to public broadcasting, noncommercial services such as SCOLA provide unedited segments of broadcast news from other countries in their original languages. Especially popular in university towns and cities with large foreign-born populations, SCOLA offers, over the course of a week, news, weather and cultural information from such varied sources as France, Spain, Germany, Poland, Hungary, Italy, Korea, Greece, China, Croatia, Slovenia, Lithuania, Latvia, Macedonia, the Netherlands, Moldova, the Ukraine, the Philippines and other countries.

The oldest distributor of access programming has been the Deep Dish TV Network, available to community access centers via satellite and now the internet. (The name *Deep Dish* refers to parabolic receivers as well as apple and pizza pie!) A not-for-profit program distributor, it is supported by donations and grants, as are Free Speech TV and Democracy Now! Independent and community producers create the highly diverse programs and largely political documentaries or analyses these satellite services circulate on such topics as housing, the environment, civil liberties, racism, sexism, AIDS, the Middle East and Central America.

Deep Dish identifies itself as “the first national grassroots satellite network” and quotes author Studs Terkel: “The idea of a democracy in this country is based on an informed citizenry, an intelligent citizenry—and you can’t be intelligent without being

informed.”<sup>3</sup> These services appear unscrambled on commercial satellite transponders; the programs are carried by 200 or so cable systems, some public television, and radio stations (including NPR), and on the internet, and come directly to backyard dishes (HSD).

## What’s Sneaking Up

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On-demand programming coupled with delivery of TV Everywhere represents the leading-edge of services for MVPDs. It has long been considered the cable industry’s “holy grail.” However, only recently has on-demand’s cost fallen sufficiently to move it into commercial market rollout. Likewise, recent advances in wireless (4G/3G/Wi-Fi, tablets and smart phones) have made TV Everywhere both economically and technologically possible. More than half of MVPD subscribers have access to on-demand video programming and the rapid increase in wireless access devices and penetration of user interfaces between wireless and wire line networks is promising to make TV Everywhere a reality.

Existing challenges for VOD include: figuring out a way to get subscribers used to purchasing on a per-program rather than on a per-channel or per-package basis, negotiating low enough rights fees with Hollywood to make VOD profitable, and continuing to negotiate an earlier window for releasing movies to increase VOD value proposition for consumers (see Chapter 9). TV Everywhere challenges include investing the capital needed to provide consumers with the required technology so that subscribers can consume video content when (anytime), where (in the home or away from home), and how (on a TV, tablet, smart phone or laptop) they want to receive it. In addition to the technical challenges, MVPD distributors and programmers will also need to overcome the intellectual property rights associated with TV Everywhere.

The advertising industry’s concern about DVRs has led to elaborate tracking of viewer patterns to learn how common commercial skipping continues to be and what factors minimize it. As DVRs proliferate (now approaching 50 percent penetration in

U.S. homes), advertisers will need to develop new strategies for getting their products out and messages heard. Product placement within television programs is one such strategy, and such marketing tricks as discounts, coupons and other kinds of fee reductions for watching commercial messages have also surfaced. In addition, some advertiser supported programmers have begun to require that fast-forward DVR functionality be disabled as a condition for providing programs on demand. How far this will go and how the public will adapt is unknown.

Cable, telco and satellite distributors moved rapidly into the HD service business and look ahead to 3D. In the short run, as HD set penetration continues to increase (over 60 percent of U.S. homes have at least one HD set), upper tier HD service offerings from MVPDs can be expected to generate significant revenue. However, once the transition to digital is complete, separate non-HD service tiers are likely to fade away, and all television will be HD (unless it’s 3D or holography or something new we haven’t yet heard of).

Although cable was long the clear market leader in the area of high-speed internet service, telcos are catching up where FiOS and U-verse are available to consumers. The question now is how much longer Verizon and AT&T will continue to supply the internet and wire line telephone service components of DBS’s triple play packages. Cable telephony service has been growing rapidly thanks to the wide availability of VoIP (Voice of Internet Protocol) telephone service offerings by cableops. Today, cable has approximately 25 million VoIP telephone subscribers. Of course, telcos have responded with appealing packages of television, internet and voice telephone to counteract cable’s move into telephony. Now that AT&T and Verizon have made the major capital investment required to build competitive broadband networks (FiOS and U-verse) to compete with cable in significant parts of their coverage areas, it will be very interesting to watch as things develop.

On the reception end, consumers await widespread distribution of truly intelligent converters incorporated into new television sets and computers,

and user interfaces that provide seamless connectivity between wireless and wire line devices. Consumers also await improvements in interactive program guides and search approaches to allow them to personalize program viewing and searching. As the number of channels and programs proliferate, consumers need more efficient methods of identifying content (i.e., entertainment programs, news stories, etc.) they would like to consume. Great advances are on the immediate horizon in this area as MVPDs and other distributors develop much simpler and more intuitive ways for consumers to identify programs to watch. This includes incorporating such social media as Facebook and online connections like Amazon.com to get like-minded consumers to “share” what they like and don’t like as part of the search process.

Sometime further in the future, it is envisioned that mass guides will evolve into personal search engines that utilize virtual agents that can be programmed by the user or that can learn on their own to make selections for individual users, from the huge sea of available entertainment, news and commercial content. An agent programmed for each individual will notify him or her about specific video content, blogs, vlogs and RSS postings based on previously expressed preferences or current wants and desires. The process of reprogramming an agent (by voice or perhaps merely by what is frequently chosen or requested) will eventually become transparent to users, and over time, increasingly sophisticated agent programs may become the

equivalent of the semisentient computers in science fiction. Agents will eventually mutate into avatars (virtual selves) with virtual bodies that can interact with other avatars on the internet, far beyond the cartoon representations that exist today.

As broadband speeds become faster and faster and screens on handheld devices become bigger and brighter and keyboards become virtual, watching video content on tablets, smart phones and laptops will continue to improve as will user interfaces between wireless and wire line distribution devices. Nonetheless, history will repeat itself: Mobile media will supplement—not supplant—traditional media. Consumers will still want large TV screens in their homes (and public places) and desktop computers in their workplaces. However, 4G and Wi-Fi will have a dramatic impact on consumers, and the world will be a different place when most people can access the internet—for video, audio or text—whenever they want to and wherever they are.

## Notes

1. Kenneth Van Meter, president of Bell Atlantic Video Services’ interactive multimedia platform division, speaking before Kagan Services’ Interactive Multimedia Forum, 18 August 1994, New York.
2. Seligmann, J, Covering the neighborhood. *Newsweek*, 13 December 1993, p. 6.
3. From the brochure cover for Deep Dish TV Network in New York, 2000.



# Online Television Strategies

Douglas A. Ferguson

## Chapter Outline

### The New Programs

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- Wi-Fi's Role
- Evolution, Not Revolution

### Web Program Producers

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- Original Content Suppliers
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### Enhanced Viewing

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### A Conceptual Framework

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- Daypart Compatibility
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### Specific Approaches

- Selecting Content
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### Online Measurement

### What's Coming Fast

### Notes

When you watch YouTube or Netflix, happily, you needn't follow a pre-structured schedule of programs, and you needn't watch on the largest available screen to see what's going on. Any handy screen will do. When you go online to watch a clip or show you missed on TV, you'll probably find links on the screen to other shows and clips that you might like. Just like in traditional television, the companies that supply online content have strategies to keep you coming back for more (and staying longer to watch the ads or pay a subscription). Online television strategies address the growing number of *unstructured* program options available on various screens viewed by the media audience. This chapter explores those online programming strategies, for web programs, social media and video games.

## The New Programs

In a programming book, one expects to learn what online "programs" are, but their definition continues to be fuzzy and evolving. As in all media, entertainment and information are the major content types, but in the online world, they come in innumerable permutations, so it's more useful to distinguish among *web programs*, *enhancing information* and *interactive games* as the key kinds of online program content.

Just as in conventional television and radio, most online entertainment content is storytelling, and telling stories—real or fictional, in video or in games—is the primary task of what are collectively called **web programs**. Thus, on the internet, the term includes short and long video programs akin to television series, specials, documentaries, theatrical and made-for-TV movies, web-only newscasts and hosted entertainment/talk shows. Web programs fall into two distinct categories. First are the *repurposed* showings of traditional television programs, such as reruns of *The Daily Show* or *NCIS* via Netflix or Hulu and *NBC Nightly News* on MSNBC.com. The second type consists of *original* content produced specifically for online distribution, such as clips on YouTube or Revver. By 2012, Americans were streaming over 15 billion videos per month (see 4.1).

At the same time, promotional information associated with regular television programs (called **enhancement**) appears on websites supplied by any and all broadcast and cable networks, every Hollywood studio, most stations, most music producers and other key groups in the entertainment industry. Everyone wants you to watch what they provided. At the same time, those self-contained computer/phone options called *apps* (for applications, in case you've been trapped in a cave) provide program guides, live chat and other interactive functions that "enhance" the viewing experience. As you know from experience as well as the news, social media apps allow viewers in different locations watch television together as if they were in the same room, commenting on content and receiving enhanced information.

The third principal category of online media consists of **interactive games**. Certainly, its game function is one of the internet's unique aspects, and people can play solitaire or puzzles by themselves or interact with others at distant locations (sometimes with guns!) in elaborate video games. Notably, most video games involve entertainment and storytelling, just like traditional television, but with this added dimension of interactivity. You get to participate in the action, sometimes along with friends and strangers (until you get virtually killed, of course, or all your crops die).

Although the internet certainly contains mountains of "information," much of it is either related to retail sales and other businesses or consists of reference material (current and archived data) or personal/political content (such as individual websites and chat on a wealth of topics), and is thus outside the parameters of this book. *This chapter focuses on online content that is similar or at least related to what appears on television.*

## Competition

Of the three types of online content, it is *web programs* that offer the most direct competition to traditional media (although electronic games pretty much wiped out the board game industry, at least for those old enough to read). But the online

## 4.1 Streaming and Capping

**S**treaming is the digital distribution of audio or video in near-real time, the closest thing to conventional over-the-air or cable/satellite television programs. *Streaming differs from broadcasting because the viewer receives a single transmission not intended to be seen at the same time that other viewers watch.* Just like with a television set, anyone with a computer and a connection to the internet can receive streamed pictures and sound, and the faster the connection, the better those pictures are. *The number of web users who are willing to watch streamed video grows as connection speeds increase.* Competition between cable modems and DSL to get you as a customer, like the competition between cable and satellite, has stabilized (but not yet driven down) the cost of broadband connections.

The introduction of unlimited data plans for internet and cell phone providers was a huge selling point when companies were first building a base of wired and wireless subscribers. But as more people began downloading more and more video programming, it became clear that a few

people were hogging the bandwidth. So internet providers quietly introduced plans to cap, or limit, the amount of information that could be downloaded in a billing period, usually 250 gigabytes. The situation was analogous to banning really big eaters from the unlimited buffet line.

Because downloading was never a huge activity, except for a few, the introduction of data caps generated very little controversy. *But streaming is a different matter. Like downloading, streaming exhausts huge amounts of digital bandwidth. Unlike downloading a movie late at night, however, streaming takes place during peak hours.* While wireline providers like cable and telcos can expand their capacity to meet the demand, wireless was hitting the limits of peak-hour bandwidth as early as 2011. It makes sense (to some) to either throttle back activity or erect a monthly cap. Of course, if you have become accustomed to an unlimited data plan on your cell phone, you would see it differently. Suddenly the buffet line has become a menu of a la carte items, or you can only go through the line once, perhaps with a slightly smaller tray.

availability of streamed TV shows and movies certainly caused the greatest disruption to “the way things have been done.” You can see this in the name that the television industry gave to streaming videos: *over-the-top (OTT) services*. Pricewaterhouse-Cooper (PwC) forecasts 9 million OTT viewers by 2015.<sup>1</sup> PwC also forecasts that the money consumers will pay for online video subscriptions (along with what distributors will pay to air the programs) will rise to \$99 billion by mid-decade. Moreover, and perhaps even more disruptive to current economics, parts of the internet are now being distributed directly to portable devices (cell phones and tablets)—the so-called third screens (TV sets and computer monitors are the first and second screens). Viewers can go online at their offices or fire up their tablets at the beach to watch television, and sometimes they opt to watch conventional program channels unconventionally (see 4.2). Clearly, the typical settings for enjoying video entertainment have now moved well beyond the home.

Thus, online or on tablets, if they want to, viewers can watch repurposed content from regular television channels (via Netflix and Hulu Plus, for example). They can also watch made-for-web content from program producers who don’t use traditional distribution channels (producers of YouTube clips, for example), creating industry competition between traditional and online television in these two categories. However, for viewers who “cut the cord” from cable and satellite providers, web programs are all in the same category (see 4.3).

### Wi-Fi’s Role

How many toys do you have? Are they separate or linked? In the last decade, an explosion of home networking has occurred in which household electronics devices, such as computers, TV sets, stereos, phones and video games, are interconnected around the entire house *without the need for wiring*. Operating on the Wi-Fi standard allows users to transmit

## 4.2 TV Anywhere and Everywhere

Thanks to online video, nowadays you can watch traditional TV almost anywhere. One way is to purchase a Slingbox. Hook your home cable or satellite to the Slingbox, and then tune in all of your channels with a broadband connection from any remote location. Copyright isn't a problem because you are already paying your multichannel provider for the right to watch. You are merely extending the reach of the cable coming into your home. With a Slingbox, you can extend that reach nearly around the world.

Cable operators' response to Slingbox was to come up with their own devices and "TV Everywhere" offerings. Thanks to tablets like the iPad and apps like that for Comcast's Xfinity, subscribers can watch television virtually anywhere. Over-the-top service is sometimes described by the "four anys": Viewers can watch *anything, anywhere, anytime, on any device*. A viewer connected to the web can watch on their second and third screens (desktop computers and mobile devices) what they pay to watch for on their first screen (television set).

Even without adding equipment, you can still watch regular channels (besides clips on websites) with services like FilmOn or ivi TV. Subscribers to these services get access to hundreds of worldwide TV and radio channels through their computers. Add a device such as Apple TV, and you can even transmit the video programs to your television set. (Does that feel like going around in a circle?) FilmOn is a subscription service, charging \$10 per month to receive live programming, while subscribers to ivi TV only

pay \$4.99 for a comparable service (but FilmOn does offer a very brief trial service for free).

Handheld audio and video players also supplement media content received by cell phones. Apple's iPod Touch and iPad are the most common of the portable media players, and they are capable of storing (or streaming) hours of video, which can be displayed on a small (iPod Touch) or larger (iPad) screen. Unlike most cell phones, these devices can connect to Wi-Fi transmitters in the home or in some public spaces. Despite concerns that most people would not choose to watch a small screen, media analysts have observed that viewers seem willing to adapt to the largest or smallest screen that suits their situation at a particular moment. In other words, if 3.5-inch screens are all people have when riding on subways, then they'll use them until they get home to their beloved 42-inch HD display.

Of course, most viewers still prefer their video to appear on their home television receivers, and the bigger the better. Microsoft's Xbox 360 was the first device to offer PC-to-TV downloads, and other companies (Nintendo Wii and Sony Playstation) soon followed. Even without additional hardware, media companies have begun to anticipate the viewers' desire to watch online video on TV sets. Several manufacturers now offer HDTVs that have their own wireless connections, thus allowing viewers to bring internet video to their main TV sets (meaning that no computer needs to be in the same room as the TV set). A fifth of all new sets shipped in 2010 had such built-in connectivity.

streams of data (from computer keyboards, graphic cameras, photo printers and home video cameras) within a small geographic radius via radio waves. The central unit is typically a desktop computer with immense storage capacity that acts as a server for the rest of the home. The computer links to any number of cable boxes, alarm systems, stereo audio systems, video game consoles, video displays and who knows what that hasn't been invented yet.

Typically, Wi-Fi internet content comes to portable laptops anywhere in the house or yard. Also it can bring internet video to the main (biggest)

television set, a device that has enjoyed a privileged location in the home for the past 60 years but where computers do not normally reside. The "smart" home imagined decades ago by futurists is finally beginning to emerge, and this includes new video and online abilities for those ubiquitous cell phones. But using Wi-Fi in homes has proved more technically problematic than envisioned because older equipment balks, and so it has rolled out slowly in homes.

Outside the home, connecting to the web is a simple matter of visiting a store or restaurant with

### 4.3 Cord Cutters

The term *cord cutters* applies to former cable/satellite subscribers who have “cut the cord” to save money by getting their movies and videos from Netflix, YouTube and Hulu Plus. Still, traditional television has a big advantage over video streaming: It can deliver HDTV-quality pictures, while video streaming via the internet remains comparatively limited in picture quality.

As you can imagine, the prospect of losing monthly cable subscribers to streaming video has worried some traditional suppliers and distributors of television shows. But

other programmers are counting on the relative convenience of cable and satellite technology to save their businesses. Most homes are already wired to traditional sources, and current subscribers easily understand how to select programs from a cornucopia of options. Streaming video sometimes requires new devices and works best with home Wi-Fi networks. Meanwhile, major cable operators such as Comcast maximize their “TV everywhere and anywhere” options and promote a general shift to HD to stem the tide of competition from streaming competitors.

a free Wi-Fi zone. Travelers expect their hotel rooms to offer Wi-Fi networks; libraries and schools typically feature Wi-Fi capabilities. Some cities have public Wi-Fi, and many federal legislators consider free public access a right rather than a privilege, like public drinking fountains and restrooms. In addition, you can buy a monthly “Wi-Fi Anywhere” service so you aren’t limited to public connections and can link in wherever signals reach.

### Evolution, Not Revolution

A good guess is that consumer habits will evolve slowly as younger viewers grow older and older viewers learn new tricks. In many households, the price difference between full-cable service and web programs, however, may influence a cost-based switching decision, somewhat akin to the way cell phones convinced some households to cancel their landline phone service (while many younger people now never consider landlines at all). The broadcast networks and their allied production studios will also benefit from streaming video, because networks can spread their risk among additional distribution windows when they can repurpose programs to subscription services. The fly in the honey is who gets the money. A merging of interests will occur IF, and it’s a big if, and when equitable splits of rights and royalties can be agreed to by dozens of parties. Economics will always be the driving force.

## Web Program Providers

It won’t come as a surprise that repurposed content on the web primarily takes the form of television shows and movies. As of 2012, the major providers of repurposed shows were Netflix, Hulu Plus, Apple iTunes and Amazon Instant Video. A second category of web content is original programming, for which YouTube and its close competitors are best known. Recent off-network and off-cable repurposed programs are sometimes free and thus supported by ads, as on Hulu, but the major online providers rely heavily on paid subscriptions. Original made-for-online content, on the other hand, is almost always free and supported by advertising. *Pretty much, you get what you pay for.*

### Movies Plus

Netflix evolved from a distribution channel for rented DVDs through the mail to the largest supplier of program-length streaming videos. It streams professionally-produced content live over the internet rather than downloaded as a single file. Monthly subscribers with a broadband connection can watch Netflix through their computers, game consoles, smartphones, iPad-like tablets or web-enabled television receivers. The company still rents out movies, but in 2011 it began competing with the major television networks, producing original video content as well as continuing to stream older shows and movies.

Netflix was the first major supplier of professionally-produced content. For \$7.99 (plus an additional \$7.99 if you also want the option of DVD delivery to your mailbox), you can watch an online library of popular television shows and Hollywood movies. Its subscriber lists had grown to over 25 million by 2011, two-thirds of whom used the streaming-only option (before the price increase from \$9.99 for both options to \$15.98). Netflix online apparently made a sizable dent in the sale of DVDs, which declined a whopping 20 percent between 2010 and 2011.

### Series Plus

**Hulu** was originally designed as a free website to stream content produced by regular television networks, plus a few original series. While CBS remains a holdout, NBC, ABC, FOX and many large producers like Viacom participate in streaming recently-shown programs on Hulu with few commercial interruptions. (CBS.com and CWTV.com provide network shows for online viewing of CBS and the CW networks, respectively.)

The catch is that each video is preceded by a *pre-roll*, which is a commercial that must be played (not on FF) before the selected clip begins to roll. Interestingly, 1 in 6 viewers abandon viewing a video clip during a pre-roll, but many viewers have begun showing greater acceptance of the tactic. After the pre-roll, viewers have the option of watching the remaining commercials sprinkled throughout the program, as is the practice on broadcast television, or see all the advertising at once in one very long commercial break. Initially, the number of commercials within programs was a fraction of those carried by over-the-air stations, which attracted many viewers to Hulu, but as advertisers got more comfortable with online video advertising, the commercial breaks became longer and longer.

As this chapter goes to press, Hulu is for sale. Netflix was not a bidder, but other interested companies include Google, Yahoo, Amazon.com, Microsoft and DirecTV. Hulu has no subscribers, per se, but it reaches over 30 million unique visitors each month.

**Hulu Plus** evolved as a subscription website that provided the same content as Hulu (with fewer commercials) but expanded its menu to include entire seasons of popular programs shown on regular television, sometimes offering multiple seasons of especially hot series. For example, Hulu Plus has all the *Saturday Night Live* programs dating back to 1975, hundreds of hours' worth. As with Netflix, Hulu Plus also streams theatrical movie releases from selected studios such as Miramax Films. The cost per month is \$7.99, the same as Netflix. Hulu Plus focuses on well-known television series, but also features some original made-for-web content (especially during the summer months when regular network television is on hiatus). As of 2011, Hulu Plus had 875,000 subscribers.

**Apple iTunes** is another source of videos, typically downloaded rather than streamed. Although iTunes is best known for 99-cent music downloads, Apple sells individual video programs for \$1.99, and because of its instantly recognized name, grabbed a steady group of customers. Customers using iCloud as virtual (online) storage for their music can also store videos, but the sheer size of video files may soon require a streaming solution instead of downloading, especially if portable devices are tied to off-line storage ("the cloud"). The number of users is 50 million, although many download music instead of videos. The library of titles is estimated as 3,000 television shows and 2,500 movies.

Powerhouse **Amazon Instant Video** offers movies and TV shows for \$1.99, similar to Netflix and iTunes. Its special deal is that members of Amazon Prime (a subscription service offering free two-day shipping for books and merchandise) receive unlimited, commercial-free, instant streaming of 5,000 movies and TV shows at no additional cost. Amazon Prime runs just \$79 per year, which is less expensive than paying \$7.99 to Netflix or Hulu Plus for 12 months. Despite its later start, experts predict that Amazon will eventually surpass giant Netflix, despite the latter service having become the largest single source of internet traffic in North America by May 2011.<sup>2</sup> And it might not take Amazon very long to do that, but no subscriber count is presently available.

Facebook, Google+ and other social media offer videos, too, but their presence on comScore's ratings lists is secondary to their primary mission of getting users to chat (and play games). Facebook is being used by Hulu to engage viewers by letting them post Facebook messages to friends while watching from the Hulu website. For example, a viewer on Hulu can make a comment during a video that appears on Facebook noting the exact running time within the show that the post was written. Facebook has 600 million unique monthly visitors worldwide, although Hulu is not available in every country.

### Upstarts (Big and Small Ones)

Another mega-giant has joined the game: Wal-Mart started its own online video service called **Vudu** to compete with Netflix, but it uses the *pay-per-download* model. Vudu charges \$1.99 per episode for network shows, also putting it into competition with iTunes. Some of the series presently offered by Vudu include *Glee*, *Modern Family*, *Weeds* and *Bones*. Vudu did 750,000 movie transactions in the last quarter of 2010, well behind Apple iTunes but even with Amazon.

On the smaller side, it's not clear what other services might try to capture viewers of specific genres, in effect, stealing them from Netflix and Hulu Plus. **Crackle** is an upstart provider of television shows (it has a handful of *Seinfeld* episodes) and somewhat-recent movies, and touts its free slate of programs, but it's too soon to know if Crackle will be able to gain sufficient advertising support to compete. Crackle has about 3 million unique monthly users.

Instead of a grab bag of programs, some web programmers choose a particular genre, such as humor, and focus on accumulating programs in that genre. For example, you might have tried **The CollegeHumor Network** or **Funnyordie**, which carry original videos made especially for online viewing. **AOL Media Network** (which delivers a variety of online videos to AOL subscribers, reaching 42 million users each month), **Vevo** (which specializes in online music videos, reaching 60 million unique monthly users), and **Megavideo** (which imitates YouTube) are other minor contenders offering

original videos, but the crop of competitors is so young that predictions are hard to make (see 4.5). Even YouTube (best known for free user-generated content) now offers an online rental service for a small number of Hollywood films.

A service that caters to cell phone users, **MobiTV**, offers its ten million subscribers more than 25 channels of streamed live television that show up as large as the phone screen. These include programs from the broadcast networks and such cable nets such as MSNBC, CNBC, Discovery and the Learning Channel, along with originals from several web-only networks. For \$9.99 per month (with no extra charge for cellular airtime), MobiTV offers its service via all major cell carriers. Not to be outdone, **Sprint TV** and Verizon Wireless' **VCAST** both offer their own mobile TV and music plans. Tablet-size portable devices like the iPad are making mobile viewing even more popular. What is clear is that lots of companies can see big dollar signs in the download and streaming video business.

### Original Content Suppliers

Overshadowing most of the online world is the marvel of YouTube. Now a subsidiary of Google, it has been by far the most popular streaming site. Tens of millions of users upload and share videos among groups of people or openly for everyone online. Most of its content is user-generated content (UGC) along with some copyrighted materials uploaded by users (see 4.4). It is usually accessed via computers, but some material is available for television screens and some smart phones. About 500 million unique visitors worldwide watch YouTube each month.

YouTube soon proliferated into dozens of YouTube channels (similar to TV channels) and has become *web-based video-on-demand*: what people want and when they want it, in almost real time. People upload movie clips, TV clips and music videos, as well as amateur videos and video blogging and watch without needing to pay for any of it or even register (except for "mature" material so as to show they are old enough). As of 2011, YouTube reported that it was serving more than three billion videos a day, a staggering amount. Interestingly,

## 4.4 The YouTube Phenomenon

In 2007 Viacom started an uproar by demanding that more than 100,000 video clips, originally produced by MTV, Comedy Central or Nickelodeon, be removed from the YouTube site. The same month the BBC demanded that 100,000 clips from its own shows be removed. In both cases, YouTube leapt to comply. Meanwhile, the Japanese Society for Rights of Authors, Composers, and Publishers demanded that thousands of its producers' videos be removed, and NBC and CBS both filed complaints about their material appearing. Amusingly, Iran banned the site as "culturally undermining." The U.S. government also got in the act when it objected to rebuttals of the "public service" announcements they were uploading. After discovering fight and gang attack videos on YouTube, ITV in the UK claimed it was encouraging violence and bullying.

Of course, these attack videos have since become big hits on news services, which shake their collective heads in disgust even as they run the cuts for the hundredth time. Given such complaints, you might think that the existing media would keep its distance from this web upstart. You might also assume YouTube was on the verge of failure. You would be entirely wrong in both cases.

YouTube was founded in 2005 by three former PayPal employees using \$3.5 million dollars in venture funding. In 2006, YouTube was named *Time* magazine's Invention of the Year and sold to Google for \$1.65 billion. Worldwide, the public, to whom the service is free, consumes more than 2 billion videos a day. Members of the public can upload whatever they want so long as it meets the 15-minute time limit (although there are special categories without time constraints, but which require high-quality, original production).

By making it free, YouTube succeeded in avoiding the problems that had plagued Napster. While it hasn't ruled on the web as such, the Supreme Court has traditionally said members of the public can do whatever they want with materials sent into their homes or which they have purchased, so long as no money changes hands. YouTube gets its revenue from super-imposed ads and from an innovation: Commercial customers can also upload videos, but for a price. Even as Viacom was demanding removal, it was buying in. NBC negotiated its own

channel, and Time Warner touts YouTube as a great outlet for its music videos. The big entertainment companies don't hate YouTube; they just would like to control it. This is very lucrative action. Indeed, most of the material they demanded be removed is back on—just with official sanction.

YouTube is without doubt one of the great success stories of the web. It has exhibited immense flexibility by adding new channels, special groupings of videos, and even special categories (such as for comedians and amateur producers). The NHL even agreed to provide brief highlights of hockey games to the online service. In fact, many YouTube producers and entertainers have developed their own followings, becoming stars in their own right with their works featured on late-night broadcast television shows. Although critics once claimed that YouTube would find it impossibly expensive to maintain the required bandwidth and storage capacity, they have suddenly grown quiet. The public has welcomed the ability to participate in this one area of video freedom, and revenue from advertisers provides sufficient support.

While there are certainly many competitors who would like to see it fail, it was probably already too late after its first two years of operation. The public embraced this new outlet with amazing speed. Even as Brazilian model Daniela Cicarelli was demanding YouTube be shut down until all copies of an unauthorized video (of her having sex with her boyfriend on a Spanish beach) be removed, the video had already spread through hundreds of other websites. While YouTube makes no provision for downloading, the needed software can be found in a few minutes of surfing the web.

As Sean McManus, president of CBS News and Sports, noted: "Our inclination now is, the more exposure we get from clips ... the better it is for CBS News and the CBS television network; so in retrospect we probably should have embraced the exposure, and embraced the attention it was bringing CBS, instead of being parochial and saying 'let's pull it down'."<sup>3</sup>

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about three-quarters of the material comes from outside the United States, as does much of the viewing. But even more overwhelming is the fact that 150 million people view some of those videos every month.

Reaching into the once-sacrosanct sports world, to mixed horror and delight, YouTube has also begun to free streaming of live cricket matches and then NBA and NHL games. Currently, it is supported by advertising, but YouTube may develop a pay-per-month subscription service as Hulu did with Hulu Plus. Currently, YouTube lets members “subscribe for free” to one another’s channels.

**Dailymotion** is a French-owned competitor to YouTube, with 93 million unique monthly visitors. It is the world’s second largest video site. Dailymotion is more likely to include mature-themed videos, but otherwise is quite similar to YouTube.

**Blip.tv** is also similar to YouTube, but emphasizes web program series rather than standalone videos. Sometimes referred to as a “Hulu for original web series,” Blip.tv provides more tools for creating and promoting content than YouTube, and offers a way for small-scale providers to make money from each viewing (sharing a portion of the revenue with Blip.tv, of course). Blip.tv has begun to shift its focus toward helping 32 million monthly visitors locate the most interesting and professional-produced content among its 50,000 video series. Some of its independent producers invest over \$1 million in the series they produce, although that figure pales in comparison to the \$1 million *per episode* of many broadcast series.

**Vimeo** is more artistic than YouTube and positions itself as a “respectful community of creative people who are passionate about sharing the videos they make.” Like YouTube, it is free to use, but the 3 million people who upload their content are encouraged to buy a premium service (**Vimeo Plus**) for \$59.95 per year, which entitles them to no intrusive “banner” advertising, ten times the storage, faster uploads and other privileges. About 20 million unique monthly visitors view its videos. By intent, Vimeo contrasts markedly with the sometimes tawdry or amateuristic tendencies of many YouTube videos.

YouTube has some other minor competitors: **Justin.tv** (popular with viewers age 13 to 18, **Veoh**

(known for long-form videos), **Flickr** (known for photos but stores videos, too), **Viddler** (for branding), **yfrog** (for Twitter), to mention a few. The resources of Google make it difficult for anyone to compete directly with YouTube for sheer size and dominance in the arena of original content, but the same was said of MySpace before its popularity was eclipsed by Facebook.

Regardless where it appears, *user-generated content is unique, and it competes for the attention of audiences who might otherwise watch other forms of television*. At its most basic, users sit at their keyboards and talk or perform for their web-enabled cameras. In an effort to entertain or inform viewers, they might also shoot digital video in other places and later upload it to sites like YouTube. A more elaborate effort is called a **mashup**, defined as a new video edited out of other videos from multiple (too often copyrighted) sources. To date, many video mashups have been parodies, sometimes accompanied by elaborate music mashups. Occasionally, as a gimmick, a network and an advertiser will encourage ordinary users to create content for distribution on mainstream channels, such as the homemade Doritos commercials that appear in each year’s Super Bowl telecast.

## Professional Web Videos

Beyond user-generated video and viral communication, an explosion of *professionally produced content* appears daily on an equally impressive number of broadband video channels. YouTube itself has begun to attract professional producers after its acquisition of Next New Networks, by launching **YouTube Next**. As mentioned, blip.tv and Vimeo also offer vast amounts of video from professional independent producers, who exist somewhere between the two extremes of commercial producers and silly amateurs.

The wide availability and frequent viewing of short online videos has led to the phrase *clip culture*, which refers to the presumption that viewers have acquired shorter attention spans. If a person is only interested in the highlights or the most important moment, then clips on the internet easily meet